

EX PARTE OR LATE FILED

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

28 OCT 1993

DOCKET FILE COPY ORIGINAL

IN REPLY REFER TO:

Honorable Jon L. Kyl
House of Representatives
2440 Rayburn House Office Building
Washington, D.C. 20515

93-253


RECEIVED
DEC 6 1993
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Congressman Kyl:

This in reply to your letter of September 16, 1993, on behalf of your constituents James J. Broshar and Delores L. Donnelly. Mr. Broshar and Ms. Donnelly are concerned about the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on small businesses and rural telephone companies. Your letter was referred to me because the Office of Plans and Policy is responsible for implementing the competitive bidding provisions of the Budget Act for the Commission.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, PP Docket No. 93-253 (Auction NPRM), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Auction NPRM proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for services subject to competitive bidding i.e., installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS rather than against larger entities with easier access to capital. As we consider the comments filed in the competitive bidding proceeding, I can assure you that we will keep in mind our mandate to ensure economic opportunity for the designated entities, including small businesses and rural telephone companies, as required by the Budget Act.

Sincerely,



Robert Pepper
Chief
Office of Plans and Policy

No. of Copies rec'd
List A B C D E

2 copies

DET 90-314
Congress of the United States

House of Representatives

Washington, D.C.

378
September 16, 1993

Congressional Liaison
Federal Communications Comm.
Washington, D.C. 20554

Sir/Madam:

The attached communication is sent for your consideration. Please investigate the statements contained therein and forward me the necessary information for reply, returning the enclosed correspondence with your answer.

Yours truly,

Jon Kyl
JON KYL, M.C.

ATTN:Tg

WESTERN ALLIANCE

September 10, 1993

318882
SEP 16 1993

Congressman Jon Kyl
Washington, DC 20515-0304

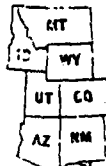
Dear Congressman Kyl:

We are an alliance of telephone companies providing service to your constituents and others in rural communities throughout the 23 western states. In passing the Omnibus Budget Reconciliation Act of 1993, you and your colleagues enacted certain protections for rural telephone companies and rural communities, to ensure that they would have the opportunity to participate in the personal communications services ("PCS") which are to be licensed in the very near future pursuant to the newly enacted competitive bidding procedures for radio spectrum. **YOUR ASSISTANCE IN URGING THE FEDERAL COMMUNICATIONS COMMISSION TO ADOPT THESE PROTECTIONS IS REQUESTED NO LATER THAN SEPTEMBER 15, 1993.**

The purpose of this letter is to seek your assistance in urging the FCC to implement specific protections for rural telephone operations. In particular, the joint coalition of the Rocky Mountain Telecommunications Association ("RMTA") and the Western Rural Telephone Association ("WRTA") have formulated a specific set of proposals to ensure that PCS will not be denied to rural America. We feel that these protections are especially important because of two unique problems faced by rural telephone companies in the western states:

1. Most major cities in western states are surrounded by rural areas rather than suburbs. Thus, there is a danger that the highest bid for each of the available PCS licenses will be made by a company proposing to serve a major city, leaving the surrounding rural communities unserved.
2. Rural telephone companies are dedicated to serving high-cost, low population density areas. PCS services will target the high-volume business customers that constitute the rural telephone companies' greatest source of revenue. If rural telephone companies cannot provide enhanced PCS services to these customers, their revenue base will be severely eroded, thereby driving up costs for all rural customers (including residents), and perhaps jeopardizing basic telephone service.

Rocky Mountain Telecommunications Association
10105 East Via Linda
Suite 103-310
Scottsdale, AZ 85258
(602) 860-6904
Fax: (602) 860-6904



Western Rural Telephone Association
P.O. Box 841
Santa Rosa, CA 95402
(707) 538-7755
Fax: (707) 538-0844

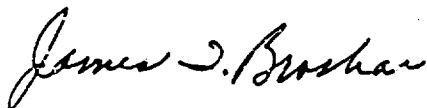
RMTA AND WRTA have filed a "Petition for Further Notice of Proposed Rulemaking" which makes the following specific proposals:

- a. The FCC should set aside one block of PCS spectrum (of the same bandwidth as the other allocated frequency blocks) for rural telephone company use. All telephone companies within the designated filing area would pool together their bids to ensure that adequate revenues would be generated from this set-aside; or
- b. As an alternative proposal, the FCC would require the high bidder for one frequency block to share the spectrum with rural telephone companies. The high bidder would be required to either use "microcell technology", so as to prevent interference to neighboring rural communities using the same frequencies, or to reach an agreement with neighboring rural telephone companies to operate their systems jointly. The high bidder and the telephone companies would split the bid amount on a pro rata basis according to population.
- c. Other protections recommended for rural telephone companies, small businesses, and minority/women owned businesses, include: (i) the use of bid multipliers so that each dollar bid by a protected group counts for more; (ii) the use of extended payment schedules and royalty payments, so that these groups can increase their bid by making time payments; (iii) issuing tax certificates to encourage higher bids; and (iv) the creation of licensing areas small enough that protected groups can reasonably afford to serve.

The FCC will stop accepting comments on this matter on September 15, 1993, and will vote on it shortly thereafter. Therefore, it is urgently requested that you immediately contact the FCC to express your support for the specific proposals of RMTA and WRTA.

Sincerely,

Rocky Mountain
Telecommunications
Association



James I. Broshar
Exec. Vice President

Sincerely,

Western Rural
Telephone
Association



Dolores L. Donnelly
Exec. Vice President
Director